

1 language that was discussed earlier that would
2 leave Verizon in the unilateral position of
3 determining it would be able to withdraw UNEs or
4 combinations based on its interpretation of
5 applicable law.

6 So, the idea that Verizon thinks it
7 provides the same sort of information by its
8 reliance in Section 1.1, leaves us no comfort.

9 And I say with respect to their comments
10 on Section 3.2.2 that we would be willing to take
11 that section out.

12 MS. CARPINO: Okay. Do the witnesses for
13 either panel know whether this issue has ever been
14 arbitrated? And if so, what result? What
15 jurisdiction?

16 MR. LATHROP: I don't know.

17 MR. ANTONIOU: I don't know.

18 MS. CARPINO: Do you know if similar
19 language is included in other interconnection
20 agreements in other jurisdictions between Verizon
21 and WorldCom?

22 MR. LATHROP: I don't know.

1 MS. CARPINO: Verizon?

2 MR. ANTONIOU: I can't speak to all of
3 them. I haven't negotiated all of them, but
4 certainly a significant chunk of them.

5 To the best of my knowledge, no, and I say
6 that based on the following facts: This is
7 language that WorldCom has suggested not sort of in
8 replacement for other language in the contract, a
9 different paragraph here, a sentence there.
10 Rather, this is sort of from whole cloth.

11 To the best of my recollection, I have not
12 had anybody bring up any sort of language dealing
13 with the subsection of the Commission's rule of
14 subsection E that you mentioned. So, it just isn't
15 something that we've ever, to my recollection, had
16 to negotiate. It's not as if we said no to
17 someone.

18 MS. CARPINO: In what states have you
19 negotiated these agreements?

20 MR. ANTONIOU: I negotiated them
21 throughout certainly the Verizon east footprint and
22 to some extent now in the former GT states as well.

1 MS. CARPINO: And for those agreements
2 that you have negotiated, you're saying this issue
3 just remains silent, and it's perhaps addressed by
4 whatever that version is of I.1, or I-1?

5 MR. ANTONIOU: I think that from our
6 perspective, I-1 would certainly pick up that
7 subsection E, among other things.

8 MS. CARPINO: And that's been your
9 experience negotiating in other states?

10 MR. ANTONIOU: That's not to say that
11 people, carriers have not wanted more detail on one
12 point that's particularly important to them. Say,
13 someone is very focused dark fibers as a business
14 plan. They might want to develop those provisions
15 further, for example, and we go down that path.

16 But this issue has again, to my
17 recollection, never come up, and no one has been
18 interested in getting this sort of information, so
19 I don't have any sort of background to go back and
20 say we negotiated this, folks were happy with that.
21 It's, to my knowledge, the only time it's come up
22 anyway.

1 MS. CARPINO: I just have one last
2 question, and it's for WorldCom. On 3.2.1, if the
3 language were modified to read, "other network data
4 sufficient for MCI to achieve access to unbundled
5 network elements consistent with requirements of
6 Section 307," are you comfortable with that
7 language, or do you still prefer what's in the
8 current agreement?

9 MR. LATHROP: I would prefer what's in our
10 proposed language, because I think a dispute could
11 arise as to what other network data would be
12 relevant or provided by Verizon.

13 I would also like the opportunity to check
14 and see whether this language is in our existing
15 contract or whether it's been offered Verizon in
16 regional negotiations that left out Virginia.

17 MS. CARPINO: All right. Why don't we
18 make that the subject of a record request, then.
19 It will be Commission record request one.

20 And as far as I know, we haven't set a
21 deadline for receipt of the responses, but that's
22 something we could talk about later.

1 MS. FARROBA: We could talk about some of
2 those issues at the end of the day.

3 MS. CARPINO: So, to be clear, do you want
4 to paraphrase what information you're going to
5 provide us?

6 MR. LATHROP: Whether the language in our
7 proposed contract Section 3 has been negotiated in
8 Verizon territory.

9 MS. CARPINO: Okay. And I guess let's add
10 to that, if the language was modified through
11 negotiations, you will provide that language, that
12 modified language, indicating which jurisdictions?

13 MR. LATHROP: Okay.

14 MS. FARROBA: And also, whether it's been
15 arbitrated and if so, what the arbitrated language
16 is.

17 MR. HARRINGTON: J. G. Harrington for Cox.
18 I know you were going to discuss the topic of the
19 record requests and when they would be due at the
20 end of the day. It is likely Cox will not be here
21 at the end of the day. To the extent you're
22 talking about it generally and what kind of

1 deadlines there will be, if they're going to be
2 generic deadlines as opposed to day-to-day
3 deadlines, we'd probably prefer to do it sooner
4 rather than later so we could get involved in that
5 discussion.

6 ARBITRATOR ATTWOOD: Okay.

7 MS. CARPINO: That's all I had. Thank
8 you.

9 MR. STANLEY: This is John Stanley with
10 the Common Carrier Bureau. I have a couple of
11 questions on issue VII-10, provisioning IDLC loops.
12 I understand this issue involves only AT&T and
13 Verizon. I know that WorldCom raised some
14 IDLC-related issues under issue IV-14 that we're
15 doing later in this UNE panel.

16 So, on issue VII-10, I would just like to
17 ask Verizon to clear up, there is a little
18 discussion earlier today about the use of the BFR
19 process. I didn't quite follow that. Could you
20 just please explain what process AT&T would use,
21 and here is the scenario: If AT&T places an order
22 for a loop that's served by IDLC and there is no

1 available spare loop to transfer that loop to, what
2 process would AT&T then use if it was still
3 interested in providing service to that customer?
4 Would it involve the submission of a BFR, a bona
5 fide request?

6 MS. GILLIGAN: At lunchtime I had a chance
7 to take a look at the language, and I would ask
8 that we defer this to Rose Clayton. She's on the
9 advanced services panel later. She is the person
10 for this.

11 MS. FARROBA: For this entire issue,
12 VII-10?

13 MS. GILLIGAN: Yes.

14 MS. FARROBA: How about WorldCom and AT&T?
15 The witnesses on VII-10 here today?

16 MR. PFAU: Here today, here tomorrow.
17 Doesn't matter to me.

18 MR. STANLEY: I might as well go ahead and
19 ask. Mark?

20 MR. KEFFER: I'm sorry, I'm a little
21 concerned about Ping-Ponging issues around to
22 various witnesses. I think we maybe need to get

1 the ground rules established early on. The issue
2 is up for discussion today; the panel was supposed
3 to be prepared to discuss the issues today. They
4 got a question they don't want to deal with; they
5 want to bounce it to someone else. I don't know.
6 We may be in the same circumstance later, but I'm
7 a little--I'm treading lightly here, but it strikes
8 me that if you're going to bring five people, four
9 people up to talk about an issue, they should be
10 prepared to address the questions that come up with
11 respect to that issue; and if you don't have the
12 right people in your panel, that's probably your
13 own problem.

14 ARBITRATOR ATTWOOD: Well, it ends up
15 being our problem, though, if it's our question. I
16 think your point is a fair one, and I think it's a
17 fair one because of nothing other than management
18 of the process. We have got to be able to stick to
19 what the proposed issues are, and we have to be
20 able to understand how the questions will get
21 answered, both for the petitioners, as well as for
22 the staff that prepares them, because we have

1 people coming in and out for the hearings.

2 So, I will ask that from--this is a
3 relatively small question or small topic, and--but
4 I will ask that we make as a point of order now
5 that to the extent we have issued decision--the
6 schedule, we are going to stick to the schedule.
7 We are going to expect the witnesses to be able to
8 answer those questions. And we will permit, and
9 this will cut in any of the witnesses' favor. We
10 are not going to permit that to extend to another
11 time, unless it's by joint agreement by all the
12 parties and with understanding from us as well.

13 Does that work for you? I agree that
14 there is an issue here. On this particular issue,
15 I would actually really like to get the answer to
16 the question, so I'm prepared to--do we have the
17 witness here?

18 MR. KEFFER: She was here this morning.

19 MS. FAGLIONI: And I do apologize. I
20 think for the most part, we are not going to have
21 this issue, and unfortunately it's coming up early,
22 which is fine, and we've had a handful of issues

1 that just didn't live very well on any one single
2 panel, and we've tried to accommodate everybody's
3 overlap or not because not everybody divided up
4 their testimony by panel cleanly, so we have a few
5 here and there that are in this no man's land.

6 If our witness was here, we would go ahead
7 and see if she could answer now, but she will be
8 here on the advanced services panel.

9 MR. GARY: If you like, we will try to
10 make her available this afternoon.

11 ARBITRATOR ATTWOOD: That would be useful
12 to us, yes.

13 MR. GARY: Mike Daly, who is a panelist on
14 another panel, is here and can answer this question
15 and can take other questions on it. We would be
16 happy to put him up.

17 ARBITRATOR ATTWOOD: Well, I need your
18 decision as to who you would like to testify on
19 this issue. We've heard that there is a person who
20 you could make available this afternoon or likely
21 could make available this afternoon.

22 I'm giving you a little deference here to

1 give me a person who can answer the question, but I
2 won't be able to tell you who that person is.

3 MR. GARY: I'm sorry, but we will try to
4 find Ms. Clayton and bring her back this afternoon.

5 ARBITRATOR ATTWOOD: Okay. Then I think
6 it's useful to wait to ask AT&T their question as
7 well until we have Verizon. We will defer this
8 entire subissue. Okay. Does that conclude you?

9 MR. STANLEY: If the whole subissue--that
10 does conclude me, so next would be I think Bill
11 Kehoe.

12 MR. KEHOE: Hi, I'm William Kehoe. I'm
13 going to ask a few questions about issue III-9,
14 which concerns the four line switching exception.
15 And I would like to start with a few questions to
16 see if I understand part of Verizon's position.

17 If I heard your testimony this morning
18 correctly, and this concerns the issue of whether
19 you count by customer locations or by customer
20 account in determining if the four line exception
21 is met.

22 Could you maybe restate your position on

1 exactly who gets counted.

2 MS. GILLIGAN: The way to do it is we look
3 at the customer as an entity, so it would be all of
4 the customer's locations that fall in under that
5 billing entity, so we don't make a distinction.

6 What we would do in the case of the four
7 or more line exemption, if we were to invoke it,
8 was in Virginia there are 11 offices specifically
9 that would fall into zone one in the density zone
10 one top 50 MSAs.

11 If the customer should have service for
12 those particular lines, we would not consider it
13 TELRIC a UNE per se, that we would invoke the local
14 switching exemption, the four or more line
15 switching exemption for those specific lines in
16 those offices.

17 MR. KEHOE: So, to count a line, first of
18 all, it would have to be located in Virginia?

19 MS. GILLIGAN: Yes. Actually, it would be
20 within the LATA because our billing is done on a
21 LATA-wide basis.

22 MR. KEHOE: So, if it were in part of the

1 Washington, D.C. metropolitan statistical area, but
2 outside of Virginia the customer would get counted?

3 MS. GILLIGAN: I'm sorry? If it was in
4 the Washington, D.C. MSA?

5 MR. KEHOE: But--

6 MS. GILLIGAN: But not in Virginia?

7 MR. KEHOE: But outside of Virginia it
8 would not be counted?

9 MS. GILLIGAN: It would not be counted.

10 MR. KEHOE: If it were within Virginia and
11 within the Washington, D.C. MSA, metropolitan
12 statistical area, it would get counted, or would it
13 also--the customer also have to be within zone
14 density one?

15 THE WITNESS: The only--the local
16 switching exemption would only apply in the zone
17 density one, where we would be doing a non-TELRIC
18 type pricing.

19 MR. KEHOE: Would you count the customer
20 or the locations that were located outside of zone
21 density one?

22 MS. GILLIGAN: To determine the size of

1 the customer, yes.

2 MR. KEHOE: Okay. What's your basis for
3 that position? Where does it come from?

4 MS. GILLIGAN: When we look at a customer,
5 we look at the lines that we're billing within that
6 entity. So, if you look at some of the tariff
7 definitions that we have out there, when we define
8 customer, we talk about customers being potentially
9 across multiple locations; so if you look in, for
10 example, the FCC one tariff.

11 MR. KEHOE: If I understood your
12 testimony, your prefiled testimony correctly, you
13 say that customers, when they order services, they
14 order for a group of locations together; is that
15 correct?

16 MS. GILLIGAN: Oftentimes, if you're
17 talking about a large customer, you would be
18 selling to that customer as a whole and not
19 necessarily including or excluding particular
20 locations, so you would be potentially going to the
21 main branch or going to the staff organization to
22 sell services to and not looking necessarily where

1 zone one, top 50 MSA zone one-type offices. You
2 would be pitching a proposal to that customer as a
3 whole.

4 MR. KEHOE: Would you pitch it as a whole
5 for the metropolitan Washington, D.C. area, or
6 would you pitch it just for the portion in the
7 state of Virginia?

8 MS. GILLIGAN: I'm not in a position to
9 answer that. I'm not a salesperson, but I would
10 suspect when you're going in and selling services,
11 you're looking at whatever area you're trying to
12 sell that service, and in the case of D.C., there
13 may be some overlap between D.C. and Virginia.

14 MR. KEHOE: Okay. I would like to ask
15 each of the parties how do the costs vary between
16 serving a customer that has four lines of one
17 location and four lines at four separate locations?
18 I'd like to start with AT&T on that.

19 MR. PFAU: The costs are going to vary
20 dramatically, and I think that some of the reason
21 we saw the discussions in the UNE remand and the ex
22 partes following it unfold the way they did.

1 What my recollection is is that when we
2 first started talking the UNE remand, they are
3 trying to identify where competitors had the
4 opportunity to provide retail service using their
5 own switch. Of course, there is a lot of debate
6 given how many switches are out there and who could
7 and couldn't be served, but ultimately it boiled
8 down to a point that when a CLEC is going to serve
9 a customer using its own switch, it's going to have
10 to deal with at least two major factors, maybe
11 three: Getting co-location, digitizing the loop,
12 and dealing with the hot cut.

13 Now, all of those things happen on a
14 customer-by-customer basis. They don't happen
15 somehow automatically across a whole state for
16 every one of the customer's locations.

17 And likewise, when you design and install
18 a facility, you design and install it between two
19 points, those points being the CLEC switch and a
20 particular co-location serving a particular
21 customer's location, not all of the customer's
22 locations.

1 And there are very, very significant fixed
2 costs and overheads with putting a facility out to
3 a particular central office or co-location that
4 exists. And therefore, it becomes very expensive
5 to serve somebody with just a few lines.
6 Obviously, if a customer has 19 or 20 lines, you
7 have the opportunity to put them on digital
8 facility from the premise and avoid some of the
9 complexities of hot cuts and be able to back call
10 it right to your switch.

11 When you're talking about a customer that
12 only has one or two lines at a particular location,
13 it becomes cost prohibitive to do that kind of back
14 call unless you have a substantial share of the
15 customers in that particular local serving area,
16 and you don't start out with that.

17 So, yes, the costs are very different, and
18 it doesn't matter if the customer I'm serving has
19 two lines in office A, if he has 48 lines in two
20 other offices where I have no switch in the
21 vicinity, it doesn't help my economics in office A
22 at all.

1 MR. KEHOE: WorldCom, would you agree with
2 that, disagree with that, or have anything to add?

3 MR. GOLDFARB: I would agree with all of
4 it. I think that as you go back through the
5 discussions on the UNE remand and the long paper
6 trail of ex partes, the discussion has constantly
7 been looking at where the CLEC would or would not
8 be impaired in its ability to serve a customer
9 without access to the unbundled switching. And in
10 each case, the analysis on everyone's part, every
11 party that's come in with analysis ranging from
12 allegiance on one side to the pace coalition
13 AT&T/WorldCom has been looking at a customer-type
14 analysis because the costs are a function of the
15 customer location. The individual location, not
16 the multitude of locations that a customer may
17 have. The economics is exactly as Mr. Pfau has
18 explained. The economics of it is by location. It
19 is not by total customer demand throughout a full
20 region.

21 MR. KEHOE: Verizon, would you agree,
22 disagree, or like to add anything?

1 MS. GILLIGAN: I guess what I would like
2 to add there is we are not saying that we won't
3 provide local switching. What we're saying is it's
4 at non-UNE pricing. So, they still have the
5 alternative of going to--it's still taking local
6 switching but doing it at a non-UNE pricing
7 structure.

8 MR. KEHOE: But you generally agree the
9 costs differ?

10 MS. GILLIGAN: I can't speak to that. I'm
11 not a SME on that.

12 MR. KEHOE: Would anyone else on the panel
13 be able to speak to it?

14 MR. GANSERT: I guess I should as a
15 network engineer. I think most of the--there is
16 certainly a truth to the fact that serving
17 customers of different sizes have different costs.
18 Most of the costs that were referred to really have
19 to do with the costs of the individual access loops
20 out to customers. Those costs are the same,
21 whether you switch at one point or a multitude of
22 points.

1 Switching costs are not necessarily
2 dependent on an individual customer's
3 concentration, unless you believe that you are only
4 serving one customer, which would be kind of odd to
5 buy a switch and have one customer and not be
6 servicing many, many customers with that switch.

7 So, I don't really see that the cost per
8 unit of switching varies greatly between the
9 customer that I serve two lines for or four lines
10 four for or 10 lines for really.

11 And similarly for transport costs, it has
12 to do with because those are facilities that are
13 shared in any rational business across many, many
14 customers. The size of individual buckets of
15 customer demands have very, very little to do with
16 their cost.

17 The only place where costs become
18 customer-sensitive is when you have to serve people
19 at the end of your distribution where there is one
20 customer. And that's going to be the same whether
21 you serve from one switch or you serve from 20
22 switches. It doesn't really matter.

1 MR. KEHOE: Did I understand you to say it
2 would be the same--

3 MR. GANSERT: What I'm saying is you have
4 a cost problem no matter what your switching
5 configuration is in the last leg of the facility
6 out to the individual customers. You can't really
7 change that. There really is no way to change
8 that.

9 MR. KEHOE: Would it be fair to say that
10 it's a bigger problem the fewer lines you have at a
11 location? The problem becomes a little bit more
12 acute in those circumstances?

13 MR. GANSERT: Not in terms of using
14 unbundled network elements, no, because we don't
15 charge any differently for one loop or 10 loops.
16 It certainly is a lot different for us when we have
17 to build a place that has very low density versus
18 we have to build a place that has very high
19 density. But what we're talking about here is the
20 economics of using unbundled loops to serve
21 individual customers, and it doesn't matter where
22 whether you go to one customer 10 places or one

1 customer located 10 loops at one place. We are
2 going to charge them the same amount if you are
3 using unbundled loops for the loop part of the
4 facility.

5 Any inefficiencies of scale there are
6 being absorbed by us, not by the user of the
7 unbundled loops.

8 MR. KEHOE: I think the AT&T witness wants
9 to say something.

10 MR. PFAU: The statements made are correct
11 only as a monopolist. It's only true when you have
12 the loop plan in there, and you have the
13 opportunity to have copper loops. It's true if you
14 don't have to make a conversion from analog to
15 digital in order to get that loop to your switch
16 that you have no economy of scale advantage.

17 But the problem is for a CLEC, 100 percent
18 of your loops have to be digitized and put on
19 carrier to be brought back to your central office
20 so you could switch them. There is no loop that I
21 know of that could go 25,000, 50,000, a hundred
22 thousand feet to get to a switch and still work.

1 So, what he is saying is right, that for a
2 LEC they don't have the advantages of serving a
3 small location versus a large location, if they're
4 using copper for all of it, but they will admit
5 that their loop plan is not a hundred percent on
6 digital loop carrier. When we serve a customer
7 with our own co-location and our own switch, we
8 basically have to put a DLC in there so that we
9 could back haul the loop on probably a multiplexed
10 interoffice facility that is not a cost that the
11 incumbent LEC has to incur.

12 Their loops terminate in their central
13 office. Our loops terminate in their central
14 office and have to go someplace else.

15 MR. KEHOE: In your answer where was your
16 switch located?

17 MR. PFAU: Someplace other than the loop
18 where the incumbent was.

19 MR. KEHOE: Okay. Thank you.

20 I would like to move on. I would like to
21 ask about our rule uses the phrase "voice grade DS
22 zero equivalence or lines." I would like to ask

1 each of the companies what their understanding of
2 that is. Actually, I would like to start with
3 AT&T.

4 MR. PFAU: I can tell you my understanding
5 and how it could be also construed. When I look at
6 the local switching exception, it talks about four
7 voice grade DS zero equivalence. To me that means
8 four, two wire voice grade loops that are capable
9 of terminating on a circuit switch. I don't
10 interpret it to mean 64 kilobits of equivalent
11 bandwidth capacity, which when you take some two
12 wire loops as you know with A DSL, you could put
13 equipment on there and have one loop turning on a
14 circuit switch and other loops going into an ISP,
15 possibly at 768 or even meg and a half, and that
16 one loop could take you over a four loop limit.

17 If you construe the DS zero to mean 64
18 kilobit equivalence.

19 MR. KEHOE: Verizon, would you share that
20 interpretation?

21 MS. GILLIGAN: No. I guess I would
22 clarify it to say it's 64 kilobits at the switch

1 because you're talking the local switching
2 exemption. So if it's being split off and taken to
3 an ISP, that's not something that you are
4 purchasing local switching from us for that portion
5 of the circuits. We would be looking at DS zero or
6 64 kilobit as it hits the switch. So, for example,
7 in the case of primary ISDN, because that is going
8 through our switch, we would be looking at
9 potentially the 24 channels.

10 MS. FARROBA: So, that one ISDN line would
11 be over the four limit?

12 MS. GILLIGAN: Yes.

13 And, in fact, if you were looking at a
14 PRI-type circuit, PRI platform, you would be
15 looking at somebody with PBX equipment and a fairly
16 large customer.

17 MR. GANSERT: Just a comment I think to
18 stop us all from going totally insane, I mean, a
19 DS/0 is a standardized, defined industry standard
20 meeting. It's a 64-kilobit digital channel.
21 That's what it is. I think that's what we mean by
22 it. I just think if we just stick to that, we

1 won't confuse each other. I didn't even understand
2 the comment about the 600, what that had to do with
3 the zeros.

4 MS. FARROBA: Could we get WorldCom's
5 views as well?

6 MR. KEHOE: I think this issue doesn't
7 arise with regard to WorldCom. It stems from
8 AT&T's testimony.

9 Does AT&T have any specific contract
10 language that's been proposed on this area?

11 MR. PFAU: Yes, we did.

12 MR. KEHOE: What does that language say?
13 I couldn't locate it from that.

14 MR. PFAU: If I could locate it. Let me
15 check my attachments. It might be an attachment to
16 my direct.

17 I believe our proposed language is
18 attachment 2 of my direct testimony. You are
19 asking which paragraph addressed the DS/0?

20 MR. KEHOE: Yes.

21 MR. PFAU: I think in just a quick perusal
22 it's 11.4.1.5.4. It's actually the second page,

1 the second paragraph on that page. What it says
2 there is Verizon may only exercise the election
3 permitted under the schedule with respect to the
4 fourth and subsequent two wire unbundled loops of
5 Verizon that AT&T uses in combination with local
6 switching to provide retail local voice to a single
7 end user location.

8 MR. KEHOE: Thank you.

9 ARBITRATOR ATTWOOD: Could I just ask a
10 couple of clarifying questions? Do you have a
11 point?

12 MR. GOLDFARB: The point is perhaps
13 clarifying. I think a lot of the debate that's
14 been going on in parallel in the UNE remand
15 discussions have gone to this where there has been,
16 I think, a certain amount of--to a certain extent
17 parties speaking past one another in terms of are
18 they serving--are they serving customers with four
19 lines or three lines or more than that as we were
20 trying to figure out what the cutoff should be, and
21 part of the problem with that has been some of the
22 definition of what a line would be, and when there

1 is a capability for a line to be in effect offering
2 the equivalent of a T1 service, that's different
3 from talking about just a two wire loop and talking
4 about an analog line.

5 So there may be--I think there is a great
6 advantage for the Commission to look at this and
7 put in the sort of detail that AT&T is discussing
8 because I think that will help you address more
9 broadly as well the issues of how are you defining
10 lines in that larger discussion that's been going
11 on.

12 ARBITRATOR ATTWOOD: WorldCom, are you
13 asking for specific language?

14 MR. GOLDFARB: Well, I'm saying that while
15 we had not asked for it, in listening to the
16 language that AT&T has proposed, it certainly is
17 language that we would be very comfortable with and
18 we think would clarify some of the problems that
19 have been discussed today.

20 ARBITRATOR ATTWOOD: I appreciate the
21 comments. I want to make sure that we were
22 respectful of the concern that Verizon has raised

1 in a variety of contexts, that we don't--where they
2 are now in this arbitration with three carriers,
3 and we've got to focus and make sure the carriers
4 don't--each of you all focus on the particular
5 issues you've raised with us and don't just applaud
6 the efforts of another, unless that is, in fact,
7 before you because that would put Verizon at a
8 procedural disadvantage, and I think we just have
9 to make sure we keep the ground rules. So I
10 appreciate the comments, but let's focus on what
11 the specific requests are for each of the carriers.

12 I recognize that there is a great desire
13 to have the Commission, not the Commission acting
14 as Virginia, but the Commission resolve the four
15 line UNE issue. I will take that--we will take
16 judicial note of that, but we can criticize the
17 Commission's inaction right now as Virginia, and we
18 are going to have to decide this.

19 Can I ask a few questions. I apologize
20 for not understanding fully the positions, but I
21 just want to tie down so that I understand your
22 positions.

1 AT&T, are you--is your view that the four
2 line needs to be measured per CO or per MSA?

3 MR. PFAU: The four line would be
4 determined per customer premise.

5 ARBITRATOR ATTWOOD: And how is the
6 customer premise then--where is your location?
7 What's your point of location?

8 MR. PFAU: I'm not sure what you mean.
9 You mean how do you determine this? Unique address
10 on the LSR.

11 MR. KEHOE: For the record, what does LSR
12 stand for?

13 MR. PFAU: Local service request.

14 MS. FARROBA: So, as a hypothetical, then,
15 you've got one of your customers has a business
16 where they have three lines and an MSA, and I guess
17 it's hooked up to one central office, and then
18 across town that same customer has another office
19 with two lines that's going in a different CO, how
20 is that all--

21 MR. PFAU: They would be counted
22 separately, because, obviously, if they are, for

1 example, in two different COs, you have to have two
2 different co-locations to get them back to your
3 switch. So the economies are going to be dependent
4 on that customer and your particular co-location.

5 I think it would be relatively unusual to
6 have two--a customer have two addresses right next
7 to each other that they would be served by the same
8 CO, where you could say well, maybe I do get some
9 economies of scale by serving that, too, and I
10 should combine those lines.

11 Yes, that could happen, but that would be
12 the exception consuming an otherwise good rule. If
13 you say it's unique customer address, because
14 that's how you design the back hall. You gather up
15 the customers, you bring them into your
16 co-location, you put them on a multiplex facility,
17 and then you take them back to your switch.

18 ARBITRATOR ATTWOOD: And, Verizon, I'm
19 confused by your answer when you said that you, in
20 fact, determine your customer by virtue of the
21 LATA, and I was confused by that.

22 MS. GILLIGAN: When we look at the

1 customer, we look at the customer's part of the
2 billed telephone number, so there could be multiple
3 locations behind that billed telephone number. We
4 do BTNs per LATA.

5 ARBITRATOR ATTWOOD: Well, how does that
6 dovetail, then, with the zone restriction? I mean,
7 you used the LATA for billing purposes, but if the
8 zone restriction is what we are looking at in terms
9 of the language of the order, how do you relate the
10 LATA to the zone?

11 MS. GILLIGAN: What would happen is--we
12 are not saying that we wouldn't provide local
13 switching. What we are saying is the rate that we
14 would apply in those particular offices to the
15 lines that fall within those offices would be a
16 different rate. It would be a non-UNE rate.

17 ARBITRATOR ATTWOOD: How this in practice
18 would work out is, you would have a customer that
19 had seven lines in the LATA, and those lines that
20 resided within zone one would be charged, let's say
21 there were three. They would be charged at the
22 non-UNE rates?

1 MS. GILLIGAN: Yes.

2 ARBITRATOR ATTWOOD: And the four that
3 resided outside would be charged at the UNE rate?

4 MS. GILLIGAN: Yes.

5 MR. KEFFER: Point of clarification. Are
6 you talking about seven different individual
7 geographic locations? Because it's an important
8 distinction.

9 ARBITRATOR ATTWOOD: My understanding, I
10 was describing seven different geographic
11 locations. I was understanding you to say that you
12 would look at those as per-customer basis.

13 MS. GILLIGAN: We would consider in the
14 totality that that would be one customer with
15 multiple locations, but in terms of the application
16 of the pricing, the pricing would only apply--the
17 non-UNE pricing would only apply to those offices
18 that are zone one top 50 MSAs, which in Virginia
19 happens to be 11 central offices.

20 ARBITRATOR ATTWOOD: And what is the
21 limitation per LATA? I mean, if we are talking
22 about now about per customer, why limit it to per

1 LATA? Why wouldn't you use the same analysis, just
2 analytically the same analysis to say, well, there
3 is customer that exists in four different states,
4 and there is one zone, and that customer has 40,000
5 lines, but only one line in the zone? Would you
6 still apply that analysis? What is the basis for
7 your limitation in the LATA?

8 MS. GILLIGAN: It's really what we are
9 able to read from a billing standpoint.

10 ARBITRATOR ATTWOOD: So, if you could, you
11 would. If you could read more analytically. I'm
12 not trying to be difficult, but basically your
13 position is--it is, to the extent that you're able
14 to understand or ascertain that there is a customer
15 with multiple lines in multiple locations, to the
16 extent that customer resides in zone one, and that
17 zone was eligible, you would take the view that all
18 those lines are subject to non-UNE pricing?

19 MS. GILLIGAN: Yes. As I understand the
20 UNE order, the reason for the four or more line
21 limitation is because there are alternative
22 switching arrangements out there and that there is

1 an incentive to put provision switches, so
2 therefore when I'm looking at this, I say there are
3 other alternatives there, plus they had the option
4 of using an EEL.

5 ARBITRATOR ATTWOOD: And I'm going to
6 assume that while you didn't say this in your
7 testimony, your position would be that costs is not
8 the only driver for determination of what would be
9 an appropriate unbundled element; right? I mean,
10 we focused on what the cost element was, but I'm
11 assuming that your position would be that cost is
12 only one thing we would look at?

13 MS. GILLIGAN: Yes.

14 MR. GANSERT: And certainly not the cost
15 of one individual isolated customer, but rather,
16 the cost of the total operation.

17 ARBITRATOR ATTWOOD: Understood. Okay.
18 Thank you for the clarification.

19 MR. KEHOE: I would like to turn to an
20 AT&T request at, I believe page 52 of the Joint
21 DPL. AT&T states that it wants advance notice
22 before Verizon changes its UNE prices. That's

1 different from the position that I understood from
2 the testimony.

3 Could you clarify exactly what you would
4 want advanced notice of in relation to this issue.

5 MR. PFAU: Well, I have to say that I
6 didn't work on the JDPL, so I'm not sure exactly
7 what's in there, but I can say that the purpose of
8 the notice was to address the situation as when a
9 carrier is entering a market and making a plan
10 where it's going to serve, obviously one of the key
11 factors is how much they're going to incur as far
12 as costs in serving those customers; and to a large
13 extent, these plans are not made just the day
14 before you go do this.

15 Since potentially the markets or so-called
16 market pricing of unbundled local switching would
17 be permitted, that could change the cost
18 characteristics of the UNE platform, for example,
19 significantly. It could make an area that had been
20 attractive now look unattractive.

21 So, what we have asked for in our language
22 is that we receive advance notification that the

1 option is going to be exercised on the part of
2 Verizon, and have at least a sufficient amount of
3 time that we can start to adapt our plans
4 accordingly.

5 And then likewise, where we've deployed
6 unbundled local switching pursuant to the TELRIC
7 price that those prices not be changed immediately
8 because obviously we made our plans and we entered
9 the market based on that set of prices, so that's
10 the kind of advance notice, and I will call it
11 quasi grandfathering we were seeking.

12 MR. KEHOE: What period would the advance
13 notice have to be for, in your view?

14 MR. PFAU: That may have been in the
15 actual language. I think in the language in the st
16 paragraph of attachment two states 180 days advance
17 notice, which at the pace we tend to move, that's
18 real short notice.

19 MR. KEHOE: Verizon, would you like to
20 respond to that?

21 MS. GILLIGAN: We are willing to provide
22 advance notice, but I think 180 days is excessive.

1 Typically, if we were to do a tariff filing within
2 a state, oftentimes those intervals are about 30
3 days' notice when we're going to change rates.

4 In Virginia we have to be operating
5 contractually. I guess I would propose 30 days'
6 advance notice.

7 MR. KEHOE: AT&T, why would 30 days not be
8 sufficient?

9 MR. PFAU: Because obviously a market plan
10 to enter a particular locality doesn't get changed
11 in 30 days. You're talking Verizon complains about
12 intervals to provide co-location of 30 calendar
13 days. Yet they want to change the fundamental
14 economics of our market entry plan on 30 days'
15 notice, and that doesn't seem to be fair.

16 MR. KEHOE: Verizon, would you have any
17 objection to the agreement listing the precise
18 offices that you intend to exercise the unbundled
19 switching exception for? I guess--

20 MS. GILLIGAN: I have no objection.
21 That's fairly well-known. The zone one offices
22 were frozen as I believe it was January 1st, 1999,

1 and those are actually in FCC 1 tariffs, and then
2 it's just a matter of matching it up against the
3 top 50 MSAs, which there are only two, so that's
4 fine.

5 MR. KEHOE: I have nothing further.

6 MR. GOYAL: My name is Praveen Goyal, from
7 the. I'm also from the FCC policy division. I
8 have a few questions relating to issue III-6, and I
9 know III-6 is an issue over which there have been
10 competing legal interpretations, so I don't want to
11 go too far into the legal issues. But one thing I
12 want to flesh out is maybe exactly what the parties
13 mean by their differing interpretations of what the
14 existing legal standard is.

15 With respect to Verizon, one thing I
16 wanted to flesh out is the extent of current UNE
17 combinations as opposed to new UNE combinations;
18 that one thing I was trying to understand was, is
19 the purchase, for example, of a stand-alone UNE,
20 would that be considered in some context the
21 creation of a new UNE combination like the purchase
22 of UNE dedicated transport connected to the Verizon

1 switch?

2 MS. FOX: No. Actually, I don't
3 understand your question. Could you rephrase it?

4 MR. GOYAL: I guess what I'm trying to
5 flesh out is what would be a current combination as
6 opposed to what would be a new combination. Would
7 a new combination be when UNEs are actually
8 physically connected and used to provide service to
9 a particular end user, or can new combinations
10 constitute scenarios where purchase of a
11 stand-alone UNE would also constitute a new
12 combination? I guess there's testimony on other
13 issues that made me unsure about what exactly is a
14 new combination and what's a current combination.

15 MS. FOX: Well, a current combination, if
16 we look to the UNE remand to help us determine what
17 is a current combination, you would see that the
18 current combination is available--or discussed in
19 that order are EELS and UNE platform. So those are
20 the two basic combinations that are available.

21 Now, if something is currently combined,
22 it can then be converted--it can be separated, but

1 then it could be converted to a combination. So,
2 special access is currently combined, can't be
3 separated, can be converted to an EEL.

4 So, I don't know if by answering your
5 question in that way I made it clearer what a
6 conversion from something that's currently combined
7 versus placing an order for something that is to be
8 combined.

9 MR. GOYAL: If I could explore the second
10 point with respect to placing an order that's to be
11 combined, are there contexts where the purchase of
12 dedicated transport not for use in a loop transport
13 combination could be construed as a new UNE
14 combination?

15 MS. FOX: If that were to be combined with
16 something else.

17 MR. GOYAL: What might those other things
18 be?

19 MS. FOX: I can't think of a stand-alone
20 service today that equates to that particular
21 combination of a transport with, say, a switch port.
22 What service is that today? What service do we

1 provide to our retail customers today that's
2 comprised of those two components? I can't think
3 of any.

4 MR. GOYAL: Okay. Now, turning the
5 question around in going to--going first to
6 WorldCom, in WorldCom's proposed language under
7 this issue, WorldCom, if I understand WorldCom's
8 position correctly, seeks to have Verizon provide
9 combinations of UNEs ordinarily combined in
10 Verizon's network, and what I wanted to flesh out
11 was what would make a combination ordinarily
12 combined if Verizon provides that combination to a
13 single customer? Would that be considered
14 ordinarily combined in the network or if it's a
15 combination that's provided to certain percentage
16 of customers served in Verizon's Virginia
17 territory. Can you flesh that out?

18 MR. GOLDFARB: If Verizon is providing any
19 service to any customer combining the elements,
20 then it is already doing that, and therefore, we
21 would do that as ordinarily combined.

22 MR. GOYAL: Now, with respect to AT&T's

1 testimony on this issue, one thing that confused me
2 somewhat was AT&T seemed to be focusing on--maybe
3 I'm striking into legal territory here.

4 Is it AT&T's understanding that the duties
5 it seeks from Verizon under issue III-6 are the
6 provision of UNEs ordinarily combined in Verizon's
7 network?

8 MR. PFAU: Yes, I think that's correct. I
9 think maybe some of the confusion came out of the
10 need to revise the issue in the middle of the
11 summer. But the way we look at it is there are two
12 things at issue here that have to be decided. And
13 it's not a rewriting of the law. It's basically
14 interpreting the law, and the interpretation that
15 we need to be looking at is what does "currently"
16 mean in a competitive and nondiscriminatory matter.

17 And then once you settle that, does the
18 rest of the language conflict with that definition?
19 For example, we have language that talks about
20 Verizon having to deliver elements if we want to
21 assemble them. Or, if Verizon agrees to do the
22 combination, how they have to provide that. That's

1 the language that I would think be at issue,
2 depending on what the interpretation of "currently
3 combined" means.

4 From our standpoint, "currently" means
5 ordinarily, while in the context of Verizon's
6 interpretation it means "presently" or "right now,"
7 and that interpretation has a very constraining
8 impact on the ability to compete because basically
9 it says, unless Verizon first serves the customer,
10 then no one else can serve them using a
11 combination.

12 And it also raises the issue of
13 discrimination against the CLECs because what I
14 take the "ordinarily" to mean is you have processes
15 constructed in your own operation to put things
16 together, but just because of the name of the
17 entity asking those processes to be used, you get
18 to say no, and that to me is discrimination.

19 So, if they have a process established to
20 combine individual elements for their own purposes,
21 those should be considered currently combined.

22 And generally, you will see that happening

1 when you're putting together a tariff service. So,
2 when you say is one enough, well, that sounds like
3 the biblical saving of Lot. Well, here is a
4 hundred, what about 99.

5 I think you would say if they are
6 tariffing a service, it's not going to be for one
7 situation, and there will be established and
8 documented processes to do that. That would
9 definitely be a currently combined situation.

10 MR. GOYAL: Okay. Going back to some of
11 Verizon's testimony earlier on--and I think it was
12 one of the subissues in III-7, and I can't remember
13 exactly which one, but Verizon testified that when
14 existing special access service is converted to a
15 loop transport combination, it's essentially a
16 billing change and there shouldn't be a physical
17 disruption of the service. Would you say that also
18 applied to conversions of existing service to other
19 UNE combinations as well, for example, like an
20 UNE-P conversion or to some other conversion of
21 existing service to UNE a combination that's not
22 EELS?

1 MS. FOX: Well, first, I agree with you
2 that conversion from special access to EELS don't
3 require physical disconnection of facilities.
4 Nancy could address what might occur with
5 conversions with UNE platform. If there is any
6 potential need or possibility that some
7 disconnection of facilities would have to occur.

8 MS. GILLIGAN: It's fairly rare that we
9 would have to disconnect facilities. In most
10 instances, we will keep the facilities identical
11 and go through and create--make the CLEC a customer
12 of record and generate the billing information that
13 needs to take place.

14 There are some instances where there is a
15 possibility, and I won't say it never happens, but
16 there are some rare instances where it may happen.
17 It may happen, for example, with some Centrex
18 rearrangements where we may have to move the
19 customer onto a different common block, and that
20 would require us to physically disconnect the
21 service. If that happens obviously, we try to work
22 with the CLEC, so we minimize any downtime for the

1 customer.

2 There is a potential, again, it's fairly
3 rare, if the office ends up in a load imbalance
4 situation because these orders come through as a
5 disconnect/new connect, we could find ourselves
6 rebalancing that particular customer. Again, it's
7 fairly rare, but it could happen.

8 MR. GOYAL: I'm sorry if I seem like I'm
9 jumping around to various subjects. I'm just
10 trying to make sure I get all my points in.

11 Going back to WorldCom, with respect to
12 the issue of costs for UNE conversions, I think
13 originally in WorldCom's direct testimony, WorldCom
14 testified that the cost for combining UNE should be
15 no more than the cost for the individual UNE piece
16 parts that comprise the combination. I'm sorry,
17 I'm talking about AT&T. In WorldCom's rebuttal
18 testimony, I think there was a slight--it seemed
19 like there was a slight revision of the position to
20 also include compensation to Verizon for any
21 costs--any cost-based costs for actually performing
22 the physical combinations.

1 Is that a correct understanding of your
2 testimony?

3 MR. GOLDFARB: Close. You start with the
4 basis that you would have the TELRIC rates, both
5 the recurring and nonrecurring charges for the
6 individual elements, and there would not be and
7 should not be any sort of glue charge that would
8 know added to that.

9 If, however, in order to make the
10 combination there was a situation where there would
11 be some sort of charge applied to--that Verizon
12 would have some sort of charge if it were serving
13 its customer in an equivalent way, that there might
14 be some cost involved for which there was a charge,
15 we would agree that we would be paying that same
16 charge. It should be a cost-based rate for
17 whatever additional activity might be needed.

18 But that would only be if there was an
19 equivalent charge that Verizon would be charging if
20 it was trying to provide the same combination to
21 its customer. It would not be--it would not
22 include some sort of separate glue charge.

1 MR. GOYAL: I just wanted to clarify if I
2 understand this. In Verizon's testimony on this
3 issue, it objected to WorldCom's position on the
4 grounds that Verizon sought to recover any charges
5 for manual processing of orders for the combination
6 of UNEs or I guess for the conversion of existing
7 service to UNE combinations. Is that a correct
8 understanding of Verizon's testimony?

9 MS. FOX: Well, we don't charge today for
10 conversions of special access circuits to EELS
11 because we are doing that in manual billing
12 adjustment mode. No orders are issued.

13 MS. GILLIGAN: On a UNE platform there is
14 a service order charge and a migration charge
15 that's associated with the conversion, the
16 migration charge taking into account the conversion
17 activity to change the software.

18 MR. GOYAL: Is that the manual process
19 that was referred to?

20 MS. GILLIGAN: No, it's not manual. I
21 guess I'm not quite clear on the language you're
22 referring to.

1 MR. GOYAL: I'm reading from the revised
2 JDPL right now. Verizon proposed in its July 2nd,
3 2001, filing in this proceeding a nonrecurring
4 charge that recovers the charge of manually
5 handling platform orders that fall out of Verizon's
6 OSS systems in the cost of performing a record
7 change, and that's submitted in objection to
8 WorldCom's testimony that it would require Verizon
9 not to charge for a combination in excess of the
10 TELRIC price for the sum of the network elements
11 that comprise the combination.

12 So, I guess I feel like I'm missing
13 something here.

14 MR. GANSERT: I think that's an issue
15 that's before the nonrecurring cost panel. I don't
16 think it's really this panel that would be handling
17 that. There is a question--I know there is a major
18 question about what the cost should be for the
19 nonrecurring charges and whether the things are
20 automated or not, but that's really under the
21 nonrecurring cost panel part of the case.

22 MS. FOX: Those costs in question weren't